

of a truly crisis condition. I base this upon two or three points. First and perhaps most important, this program was born with a baptism of fire. The really crucial period when this program was getting underway was July, August, September, 1966; if you refer to the reproduction of economic indicators included in my statement and see the peak interest rates in the latter part of 1966, these increases were occurring and your crisis conditions also in the money and capital market just in August of that year.

Mr. REID. Suppose the interest rate were increased.

Mr. WALKER. Putting on my hat as an economist, if 6 percent went to 10, you would have so many problems in your financial system, that I wouldn't think that any sort of credit-granting might be good under those circumstances.

Let me go back a moment. Given the \$35 fee which is adjustable, given the Treasury statement that the fee as of last summer and presumably about now should be \$25 or perhaps \$30, you would still have a leeway of adjustment up to a reasonable level, which is the second factor I wanted to mention.

Beyond that, if we assume that interest rates were to go to 10, 12, or 15 percent, all bets then are off about the sustainability of any type of credit expansion, because you have a crisis situation.

Mr. REID. Thank you. The second question I wanted to ask you, following up my colleague, Mr. Brademas, is: Are the bankers of America providing these loans on the basis of need for the student, more or less regardless of the financial income of the family? In other words, the student could be in clear need where the family might have a gross income of \$20,000, yet there could well be particular expenses, debts such as hospital costs and so on; and what I am asking you is: Are you meeting the needs of not alone the low-income but the middle-income students whose need may be as great?

Mr. WALKER. Yes, sir, I think we are. Unfortunately, there is simply not sufficient data to say just out and out. We do have the sort of illustration I gave of where a customer, a very good customer whose son or daughter does not need the loan could put a great deal of leverage on the financial institution in order to get the loan made.

Mr. REID. I am not thinking about leverage but talking about whether the student comes in, we will say, clearly from a middle-income family but, say, an examination of the facts clearly indicates the student could not go to college without assistance.

Mr. WALKER. But who makes that decision?

Mr. REID. That is what I am asking.

Mr. WALKER. Now, clearly the banker has to make the decision; then it would not be fair to the banker and student, because the banker is not in position to analyze all of the factors. The person best qualified is the student loan financial officer.

Mr. REID. I would not question that as being a useful suggestion, but what I am asking now is whether you are looking almost exclusively at the question of student need or are your thoughts being affected by the income level of that particular family.

Mr. WALKER. I think the banker is trying to do a socially responsible job which, if he is in the problem—and evidently he is—is trying to look at all of the factors. We say the student is qualified for that